

Fact Sheet

SUBJECT: Paving the Way Toward Regional Rates – A New Concept

1. **PURPOSE.** To standardize charging of indirect costs USACE-wide.

2. **FACTS.**

a. What are the problems?

- Inconsistent cost behavior exists in USACE project and area offices. Some offices distribute departmental overhead to the labor of project office personnel and some do not.
- O&M project offices do not account for indirect cost in the same manner as the rest of USACE.

b. How do we fix the problems?

- Eliminate job-site accounting practices.
- Eliminate area/resident office overhead accounts.
- Assign all employees at USACE project/area/resident offices to one of the technical divisions at the district headquarters, i.e., Construction, Operations, Engineering.
- Hold technical division chiefs accountable for indirect costs of their field office personnel as well as their division staff.
- Maintain organizational accounting at field offices and the district headquarters to retain indirect cost accountability where costs are incurred.
- Simplify accounting rules regarding indirect costs. Publish listing of indirect costs that will be recorded as indirect USACE-wide, i.e., training, awards, rent, and communications.
- Build compliance checks into CEFMS to ensure indirect costs are only charged to indirect accounts.
- Lift performance measures for FY00 to level the playing field. Re-evaluate and publish new performance targets for FY01.

c. What does this accomplish?

- Standardizes indirect costing practices USACE-wide
- Gives Commanders visibility over all of the indirect costs in their districts.
- Ensures customers (especially military) pay the same overhead rate regardless of the area/resident office doing the work.
- Paves the way for implementing regional rates.

d. What's next?

- Obtain field input and staff decision memorandum to gain headquarters concurrence.
- Develop and publish implementing guidance.

3. **EXPECTED BOD ACTIONS.** Inform BOD of concept exploration with a view toward implementing by 1 October 1999.

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